



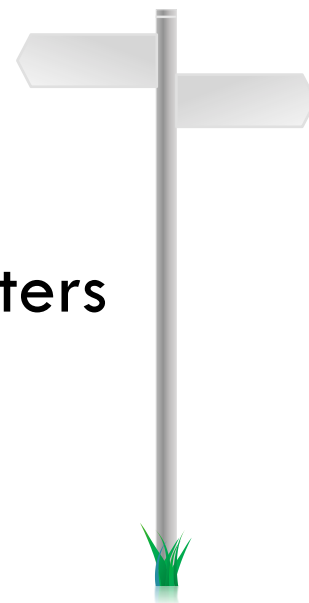
PUBLIC PRIVATE PARTNERSHIPS: THEIR SIGNIFICANCE IN DEVELOPMENT

Minister of Hacienda June 2012

We Have a Great Foundation...



- ☐ We are a strong and stable democracy
- ☐ We have a high level of human development
- ☐ We are a global leader in environmental matters
- ☐ We have a free and diversified economy



Public Policy Priorities

1. A country of greater equality and civic mindedness
2. A safer country
3. Continued Leadership in Environmental Matters
4. A country that is more competitive and better connected to global markets
 - Improved physical and social infrastructure
 - Roads, ports, airports
 - Public Health and Education
 - Transparency and efficiency in public services

Infrastructure and the Public Sector

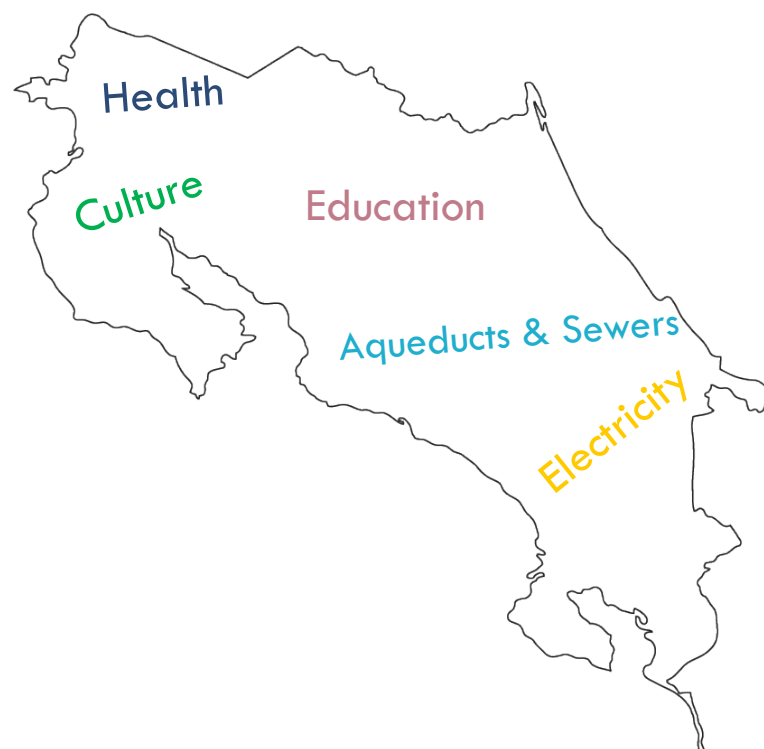


Briefly, investment in infrastructure, which is accumulated wealth used to create capital, can contribute to sustainable growth, create jobs, facilitate investment in human capital through access to education and health, and reduce transaction costs and inputs used in the production and exchange of goods and services.

Infrastructure and the Public Sector

Public sector intervention in providing infrastructure is normally justified on the basis of market failures such as:

- Definition of Public Assets
- Few Bidders
- Information is Asymmetrical and Incomplete



Important Challenges We Face

1) Competitiveness is related to infrastructure

Categories	Values	Rank/142
General Quality of Infrastructure	3.6	101
Quality in Roads	2.5	124
Quality in Railway Infrastructure	1.7	100
Quality in Port Infrastructure	2.3	137
Quality in Air Transport Infrastructure	4.7	68
Quality in the Supply of Energy	5.6	46

The Global Competitiveness Report 2011–2012
The World Economic Forum

Important Challenges We Face

1) Competitiveness is related to infrastructure :

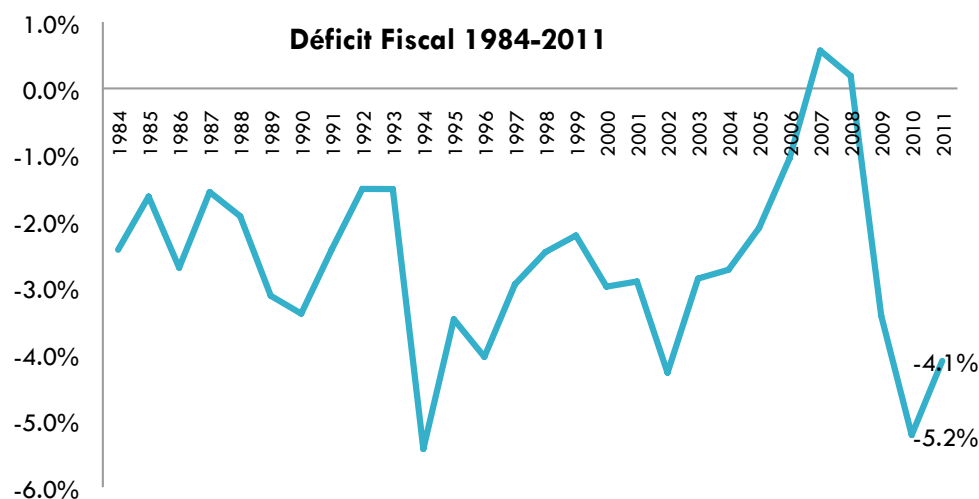
What are we
working on?

- 
- National Transportation Plan
 - Energy Grid
 - Hospital technology infrastructure investment plan
 - Public Investments Financing Program

Important Challenges We Face

2) Reduced Sources of Funding:

Tax Revenues : Central Government Fiscal result for 2011 was a deficit of 4,1% of GDP

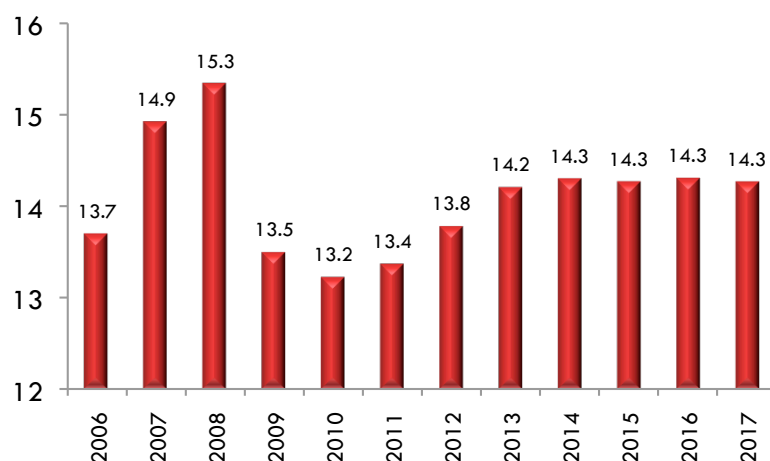


Fuente: Ministerio de Hacienda

Important Challenges We Face

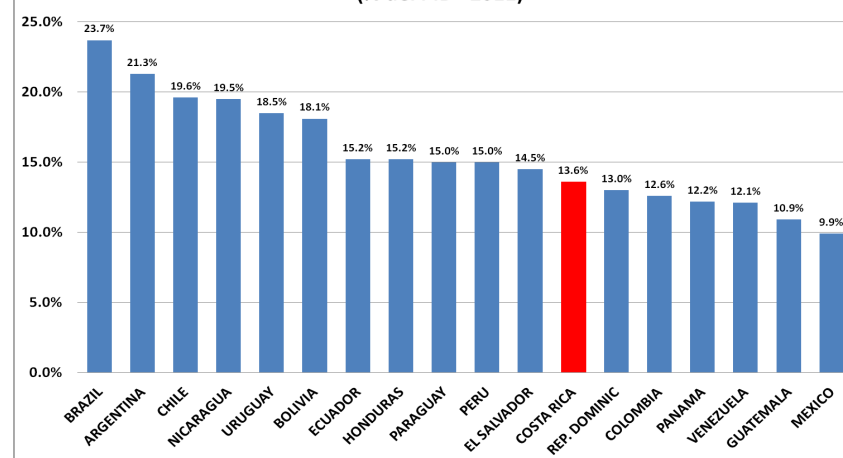
... Central government taxes are relatively low ...

**Tax Revenues
(%GDP)**



Source: Ministerio de Hacienda

**Ingresos Tributarios del Gobierno Central
(% del PIB - 2011)**



Source: CEPAL

Important Challenges We Face

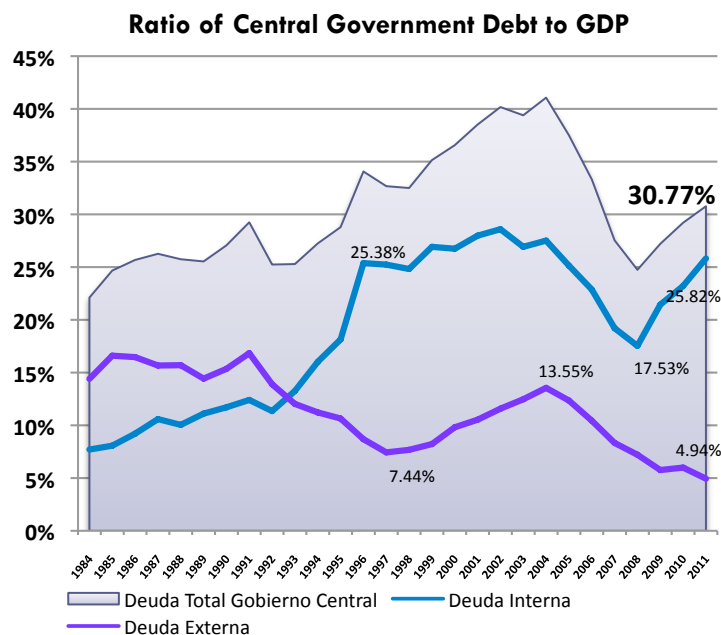
2) Reduced Sources of Funding:

Fixed and non-discretionary spending

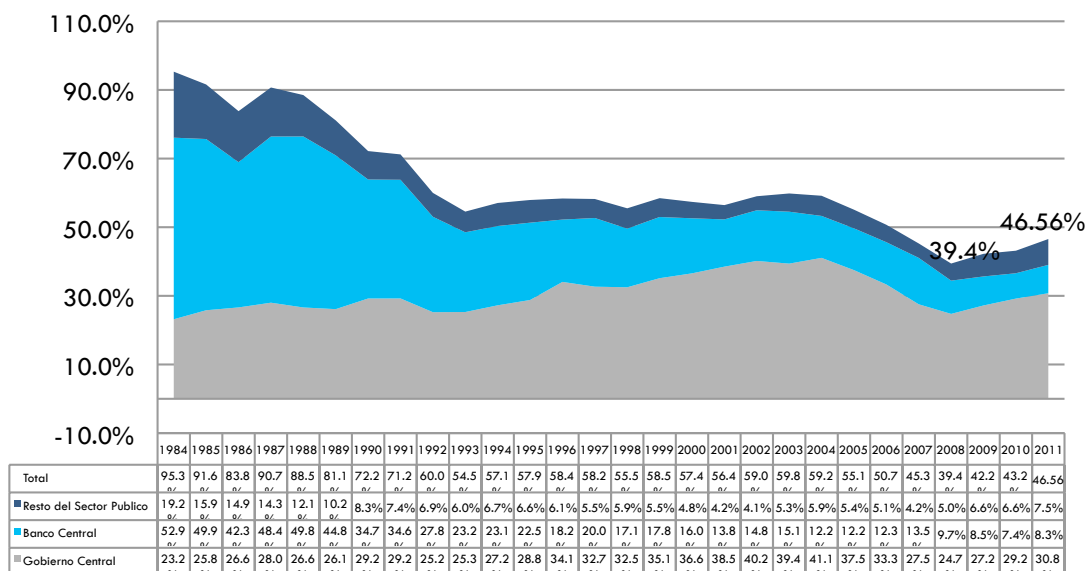
Category	Budget	Costs as % of tax revenues
Current Revenues	3.270.570,00	
Total Costs (incl. debt payments)	5.995.441,00	183,3%
Debt repayment	1.486.112,80	
Costs (net of amortization)	4.509.328,20	137,9%
Constitutionally mandated	1.877.613,00	57,4%
Judicial Branch	292.834,00	9,0%
Education Sector	1.584.779,00	48,5%
Education Ministry	1.308.575,40	40,0%
FEES	276.203,60	8,0%
Non-discretionary Spending	1.787.779,00	54,7%
Wages	482.219,00	15,0%
Pensions	627.288,00	19,0%
Interest	536.566,00	16,0%
Social Security	137.706,00	4,0%
Indemnities	4.000,00	0,0%
Specific Legal Costs	503.449,20	15,4%
Otros costs	340.487,00	10,4%

Important Challenges We Face

2) Reduced Sources of Funding: Debt:



**Costa Rica: Evolución Histórica de la Deuda/PIB
1984-2011**



Important Challenges We Face

2) Reduced Sources of Funding

International Cooperation:

- From 2006 to 2010, the country received US\$520.2 million in international cooperative assistance
- While global international assistance shrank by 5.33% from 1990 to 1999, Costa Rica's assistance shrank by 17.65%.
- While there has been growth and improvements in well being, and Costa Rica is now classified as a middle income country, Costa Rica continues to be a developing country with a need for substantial government investment
 - Middle income countries have greater internal income disparity than do poorer countries.
 - They also have greater gaps in access to technology and knowledge

Important Challenges We Face

2) Reduced Sources of Funding:

What are we
working on?



- Legislative Initiative for the Efficient Utilization of Public Finances
- Legislative Initiative for Bonds - Eurobonds
- Legislative Initiative to Strengthen Tax and Customs Management
- Legislative Initiative for Fiscal Transparency Enforcement
- Medium Term Debt Planning

Important Challenges We Face

3) Infrastructure Investment Needs:

Financing Needs in the Primary Sectors

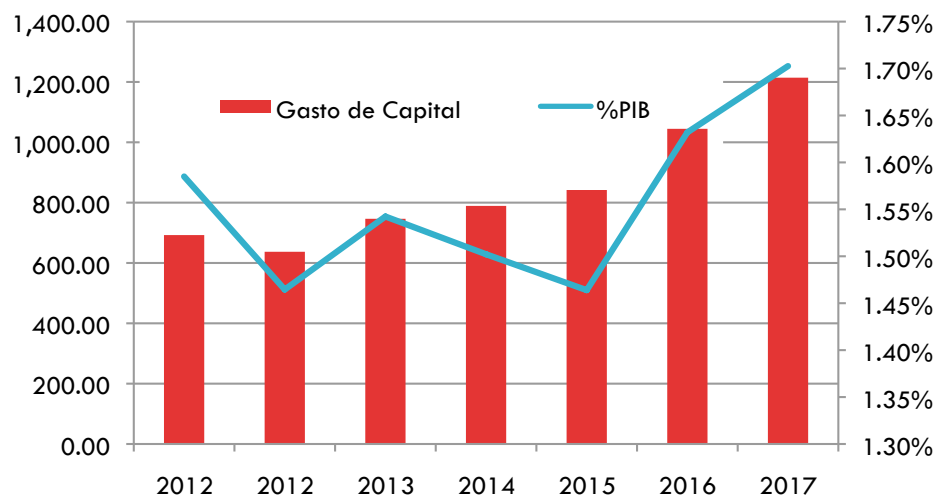
Sector	Millions US\$	Time Frame	Avg. % GDP
Education	1.000	2016	0,5%
Transportation	30.000	2035	2,5%
	10.000	2018	
Environment	2.000	2016	1%
Energy	10.600	2021	2%
Health	2.949	2017	1%

Important Challenges We Face

3) Infrastructure Investment Needs :

Investment Projected in the National Budget 2012-2017

- millions of dollars and GDP ratio -



What are we working on?



Important Challenges We Face

3) Infrastructure Investment Needs:

Public Sector Credits in Execution to April 2012 -dollars-

Sectors	Amount of Financing	Balance Pending Disbursement
Energy	250.000.000	169.951.624
Infrastructure-Transport	472.450.000	345.871.860
Environment	416.188.084	322.773.873
Security	154.841.110	132.692.122
Health	60.000.000	0
Education	30.000.000	16.105.289
Agriculture	9.220.000	8.505.000
Other	137.500.000	101.017.000
GRAND TOTAL	1.530.199.194	1.096.916.767

What are we
working on?



Important Challenges We Face

3) Infrastructure Financing Needs:

What are we working on?

PUBLIC SECTOR FINANCING PROGRAM

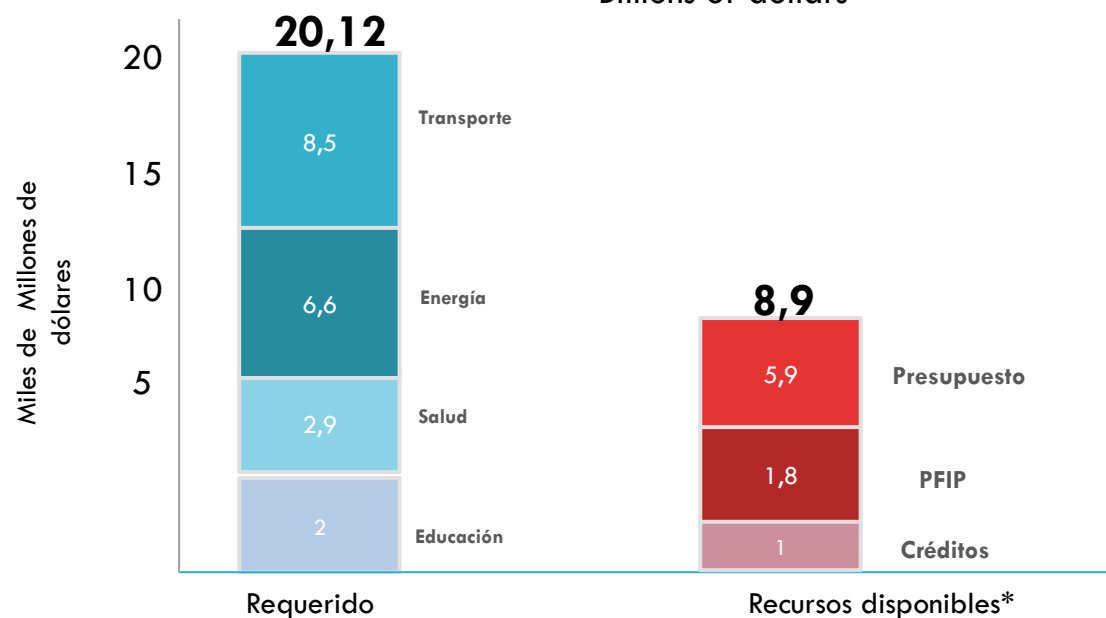
By sector 2012-2016 –millions of dollars-

Sectors	Total	Financed	To Be Financed
Energy	4.604	1.587,97	417
Infrastructure-Transport	3.230	1.690	990
Environment	821,84	149.84	50
Health	500,00		100
Education	583,50	167.5	
Other	185,00		35
GRAND TOTAL	9.925,91	3.795,31	1.592

Important Challenges We Face

3) Infrastructure Financing Needs:

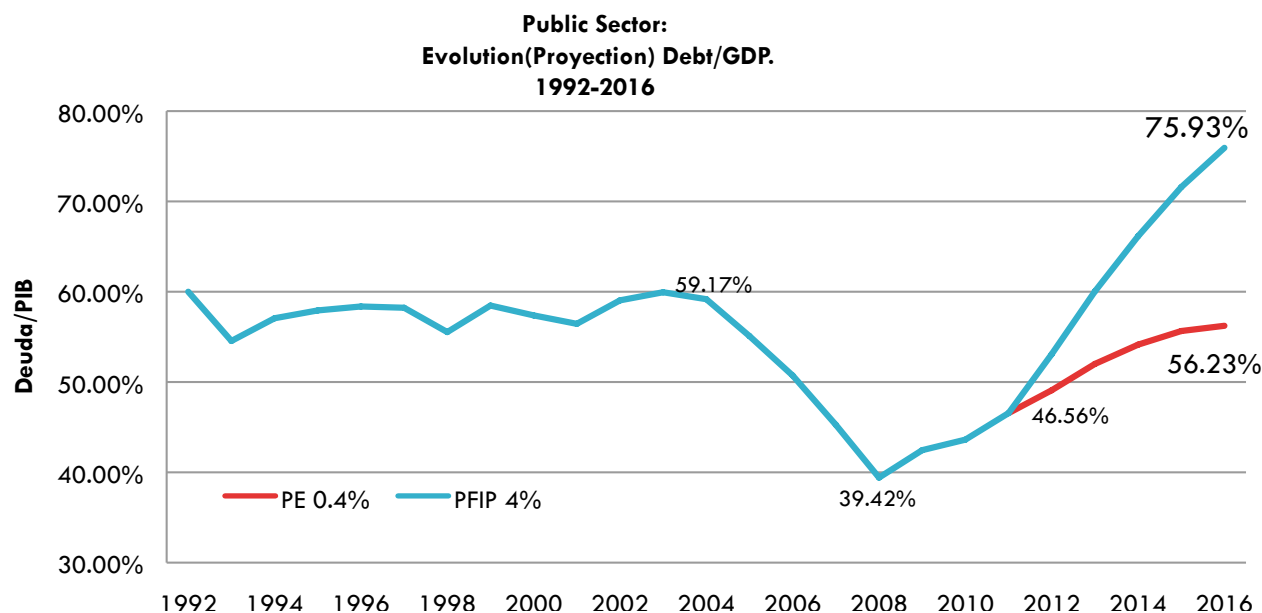
Example of the **GAP** on Financing Needs 2012-2017
- Billions of dollars-



* No se cuentan con datos de inversión para el resto del sector público

Important Challenges We Face

3) Infrastructure Investment Needs:



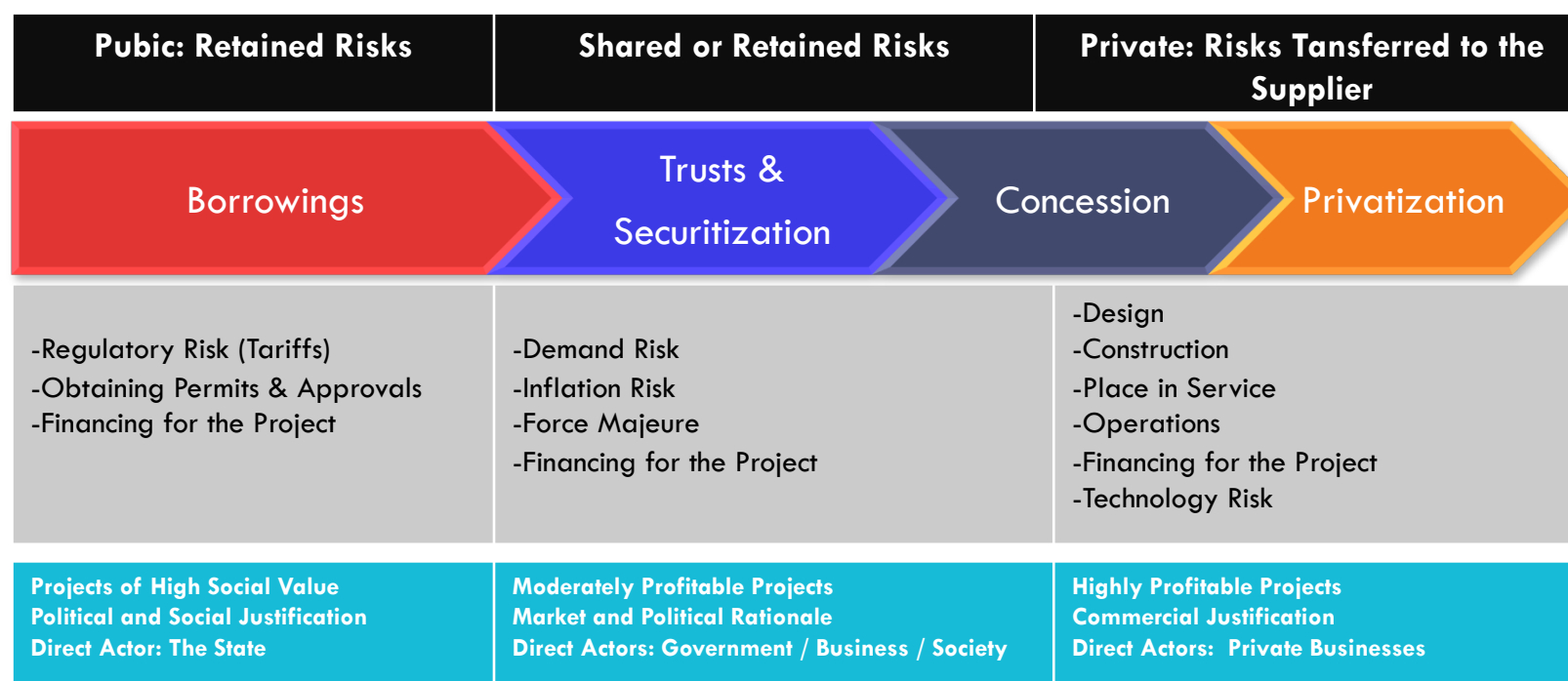
Impact of Debt if there is a 4% of GDP increase in investment, with a 60% Debt Policy

Public Private Partnerships

Why a PPP?

- Better delivery of infrastructure & service
- Faster delivery
- Life-cycle cost reductions
- PPP's can save time and money and deliver better service more efficiently

Cooperation Opportunities

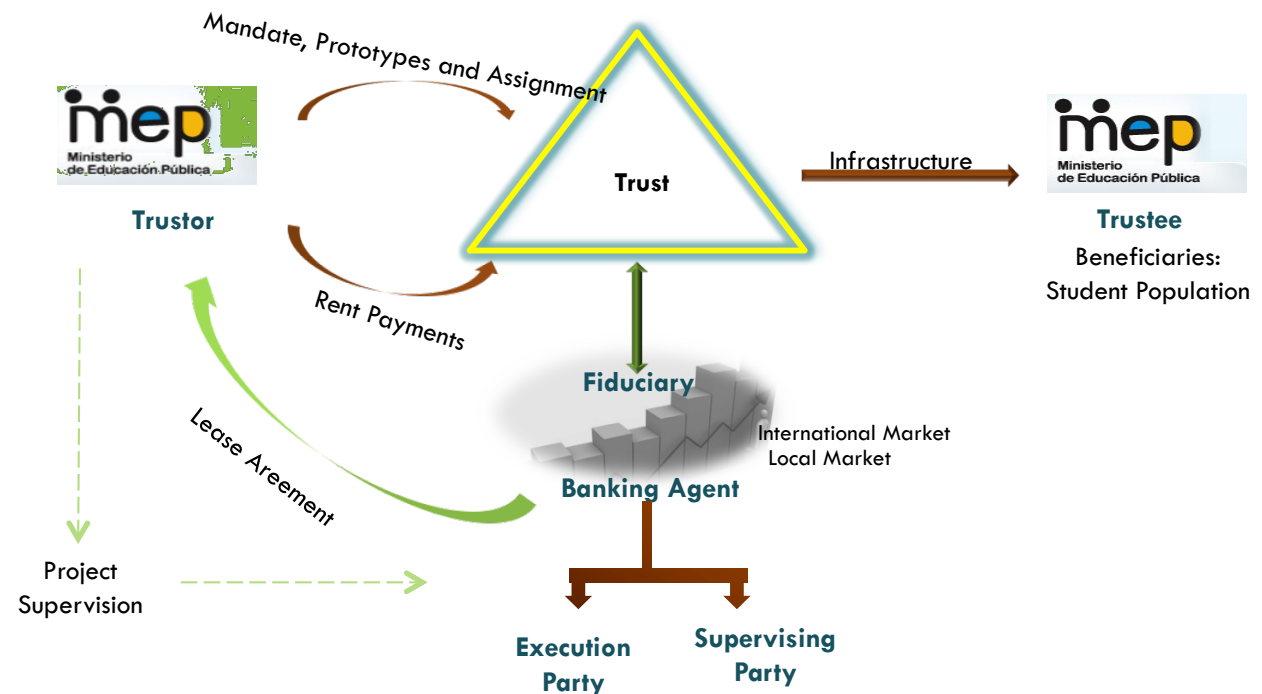


Fuente: Proinversión Perú

Cooperation Opportunities

□ Trust with a Lease:

- Financing Lease
- Operating Lease



Cooperation Opportunities

□ **Joint Venture:** long term joint investment agreement

❖ RECOPE-SORESCO,

❖ ICE-Hidroeléctricas

❖ Tender with Financing JAPDEVA

Cooperation Opportunities

☐ **Concession Contracts:**

1. San José-Caldera Highway
2. Daniel Oduber Airport
3. Moín Container Terminal
4. San José- San Ramón Highway

PPP Participation



PPP's are tools for achieving efficiency, speed and effective service delivery

Using PPP's requires careful development of the PPP institution(s)

Efficiency in selection and priority of PPP projects

Efficiency in preparing and executing PPP contracts

Efficiency in managing contracts and financial risk

PPP Participation

- In negotiating a PPP contract, **risks** associated with the project have to be carefully **assigned** to either the public or private sector players
- The public sector can end up with more than the optimal amount of risk...
- ... or, perhaps, transfer too many risks to the private sector → in which case, the cost to the public will be greater and there will be a tendency to transfer risks back to the public sector.

PPP Participation

- Fiscal Costs & Liabilities:
 - ▣ Direct
 - ▣ Contingent
- Fiscal risks are more than just the contingent liabilities
- Fiscal responsibility requires more than fiscal accounting
 - ▣ Effective fiscal management
 - ▣ Publishing the contracts
 - ▣ Supervising the contracts and managing the risks

Where we are Headed

- The country has many investment needs and its sources of financing are insufficient, creating a significant gap between what needs to be invested and what is feasible. For this reason PPPs, more than just an option seem to be, in our case, a need.
- Present a legislative proposal for the Creation of a Executing Unit for Investment Projects where ministries and government institutions need technical support in their formulation and execution.
- Strengthen CNC, define clear playing rules and their application, there must be a review of the current legislation and incorporate the fiscal vision.

The main responsibility for reaching our goals lies with us. But we need good partners for our development, and we invite them to join us.

Laura Chinchilla Miranda

Thank You!!!

